

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-021
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Jason Jones

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#09-021

23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Dianne Dunlap, President
Board of Directors
23rd DAA, Contra Costa County Fair
1201 West 10th Street
Antioch, California 94509

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 23rd District Agricultural Association (DAA), Contra Costa County Fair, Antioch, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 23rd DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

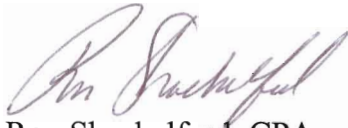
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 23rd DAA, Contra Costa County Fair, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 23rd DAA, Contra Costa County Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-021, on the 23rd DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 23rd DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in dark ink, appearing to read "Ron Shackelford", is positioned above the printed name.

Ron Shackelford, CPA
Chief, Audit Office

March 27, 2009

**23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA**

STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007

	<u>Account Number</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Cash and Cash Equivalents	111-118	\$ 428,717	\$ 437,387
Accounts Receivable, Net	131-133	47,391	33,736
Deferred Charges	143	4,341	-
Land	191	97,504	97,504
Buildings and Improvements, Net	192	1,522,124	1,551,552
Equipment, Net	193	6,740	8,987
Photovoltaic-Capital Lease, Net	194	592,458	617,143
TOTAL ASSETS		<u>2,699,275</u>	<u>2,746,309</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable & Other Liabilities	212	14,488	14,749
Current Portion of LT Debt	212.5	29,970	29,651
Deferred Income	228	32,047	-
Guaranteed Deposits	241	24,300	24,350
Compensated Absences Liability	245	63,241	63,693
Long Term Debt	250	180,037	230,518
Total Liabilities		<u>344,083</u>	<u>362,961</u>
Net Resources			
Reserve for Junior Livestock Auction	251	(6,908)	605
Net Resources - Operations	291	353,281	367,726
Net Resources- Capital Assets, less Related Debt	291.1	2,008,819	2,015,017
Total Net Resources Available		<u>2,355,192</u>	<u>2,383,348</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 2,699,275</u>	<u>\$ 2,746,309</u>

**23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
December 31, 2008 and 2007

	Account Number	2008	2007
REVENUE			
State Allocation	312	\$ 124,000	\$ 124,000
Other F& E Allocation, Millennium Flex	318-340	187,943	771,839
Admissions	410	196,386	207,297
Commercial Space	415	63,378	65,486
Carnival	421	93,487	93,172
Food Concessions	422	59,568	54,937
Exhibits	430	6,859	6,898
Craft Fair	450	38,540	41,269
Attractions - Fairtime	460	95,334	103,744
Miscellaneous Fair	470	54,352	58,264
JLA - Revenue	476	1,102	9,939
Non-Fair Revenue	480	410,898	447,303
Prior Year Revenue Adjustment	490	(131,590)	(82,387)
Other Revenue	495	5,937	9,223
Total Revenue		<u>1,206,194</u>	<u>1,910,984</u>
EXPENSES			
Administration	500	325,208	319,062
Maintenance and Operations	520	450,813	462,068
Publicity	540	74,106	64,552
Attendance	560	84,993	80,831
Miscellaneous Fair	570	17,936	16,968
JLA - Expense	576	8,615	8,784
Premiums	580	36,629	34,109
Exhibits	630	43,338	36,552
Craft Fair	650	13,512	12,007
Attractions - Fairtime	660	88,012	84,237
Equipment	723	6,221	7,126
Prior Year Adjustments	800	(10,859)	41,991
Cash Over/Short from Ticket Sales	850	(1,340)	(540)
Depreciation Expense	900	94,213	97,501
Other Expenses	945	2,953	-
Total Expenses		<u>1,234,350</u>	<u>1,265,248</u>
RESOURCES			
Net Change - Income / (Loss)		(28,156)	645,736
Resources Available, January 1		2,383,348	1,737,612
Resources Available, December 31		<u>\$ 2,355,192</u>	<u>\$2,383,348</u>

**23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA**

STATEMENTS OF CASH FLOWS - REGULATORY BASIS
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (28,156)	\$ 645,737
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(13,655)	23,645
(Increase) Decrease in Deferred Charges	(4,341)	-
Increase (Decrease) in Deferred Income	32,047	(29,096)
Increase (Decrease) in Current Portion of Long-term Debt	319	-
Increase (Decrease) in Accounts Payable	(261)	(1,899)
Increase (Decrease) in Compensated Absence Liability	(453)	4,080
Increase (Decrease) in Guarantee Deposits	(50)	10,565
Total Adjustments	<u>13,605</u>	<u>7,295</u>
Net Cash Provided (Used) by Operating Activities	<u>(14,550)</u>	<u>653,032</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Buildings & Improvements	29,428	(589,317)
(Increase) Decrease in Equipment	2,247	(506)
(Increase) Decrease in Photovoltaic	24,686	24,686
Net Cash Provided (Used) by Investing Activities	<u>56,361</u>	<u>(565,137)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability- Photovoltaic	(50,481)	(33,936)
Net Cash Provided (Used) by Financing Activities	<u>(50,481)</u>	<u>(33,936)</u>
NET INCREASE (DECREASE) IN CASH	<u>(8,670)</u>	<u>53,959</u>
Cash at Beginning of Year	437,387	383,428
CASH AT END OF YEAR	<u><u>\$ 428,717</u></u>	<u><u>\$ 437,387</u></u>

**23rd DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 23rd District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Contra Costa County Fair each year in Antioch, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAAs to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned

rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the DAA. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress, and no

depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2

NEW ACCOUNTING STANDARDS

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB Statement No. 45"). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, ("GASB Statement No. 48"). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, ("GASB Statement No. 49"). GASB Statement No. 49 requires governmental entities

to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

NOTE 3

CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	2008	2007
Petty Cash	\$ (501)	\$ 1,100
Cash in Bank - Operating	239,255	240,301
Cash in Bank - Premium	1,146	6,303
Cash in Bank - Payroll	100	113
Cash in Bank - JLA	4,798	12,387
Cash in Bank - Investment & Savings	183,918	177,183
	<u>\$ 428,717</u>	<u>\$ 437,387</u>
Total Cash and Cash Equivalents	<u>\$ 428,717</u>	<u>\$ 437,387</u>

NOTE 4 **ACCOUNTS RECEIVABLE**

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	2008	2007
Accounts Receivable - Trade	\$ 60,658	\$ 37,035
Accounts Receivable - JLA	290	8,030
Allowance for Doubtful Accounts	(13,557)	(11,329)
	<u>\$ 47,391</u>	<u>\$ 33,736</u>
Accounts Receivable - Net	<u>\$ 47,391</u>	<u>\$ 33,736</u>

NOTE 5 **PROPERTY AND EQUIPMENT**

Buildings and improvements, equipment, and leasehold improvements at December 31, 2008 and 2007 consist of the following:

	2008	2007
Building & Improvements	\$ 3,531,276	\$3,480,132
Less: Accumulated Depreciation	(2,009,152)	(1,928,580)
Building & Improvements - Net	<u>\$ 1,522,124</u>	<u>\$1,551,552</u>
Equipment	\$ 229,220	\$ 229,220
Less: Accumulated Depreciation	(222,480)	(220,233)
Equipment - Net	<u>\$ 6,740</u>	<u>\$ 8,987</u>
Photovoltaic, Capital Lease	\$ 740,573	\$ 740,573
Less: Accumulated Depreciation	(148,115)	(123,430)
Equipment - Net	<u>\$ 592,458</u>	<u>\$ 617,143</u>

NOTE 6**LONG-TERM DEBT**

The 23rd DAA entered into a sublease purchase agreement with the California Construction Authority (CCA) to install solar panels at the fairgrounds as a mechanism to generate electricity and reduce energy bills. Of the \$740,573 in total project cost, \$372,392 were subsidized by a utility grant from an energy company and \$368,182 was financed with a \$300,000 interest-free loan from F&E and a \$68,182 loan from CCA. To facilitate the repayment by the Fair, the CCA has determined a single monthly payment amount of \$2,803 to be repaid by the Fair for approximately 12 years. The CCA has prepared an amortization schedule showing the related reduction in principal as well as the monthly interest and insurance costs. The portions of the monthly payment representing interest and insurance costs are treated as period expenses and do not reduce either loan principal balance.

Pursuant to the amortization schedule provided by CCA, the following represents the long-term obligation of the 23rd DAA in regard to the photovoltaic project:

CCA Photovoltaic Loan:

Loan Amount	\$ 368,182
First Payment Date	August 2003
Payment Amount	\$ 2,803
Duration of Loan	146 Months
Interest Rate	5.00 to 5.50%
Total Outstanding at 12/31/08	\$ 210,007
Current Portion at 12/31/08	\$ 29,970
Long-Term Portion at 12/31/08	\$ 180,037

NOTE 7**RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 8 **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

NOTE 9 **LITIGATION**

The DAA is subject to various claims and legal actions relating to a range of matters that are incidental to the conduct of its operations, the DAA's management believes none of which will have a material effect on its financial position or results of operations.

**23rd DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 23rd DAA Board of Directors
1	Chief Executive Officer, 23rd DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA

MANAGEMENT REPORT #09-021

YEAR ENDED DECEMBER 31, 2008

23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2008

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Jason Jones

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#09-021

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Dianne Dunlap, President
Board of Directors
23rd DAA, Contra Costa County Fair
1201 West 10th Street
Antioch, California 94509

In planning and performing our audit of the financial statements of the 23rd District Agricultural Association (DAA), Contra Costa County Fair, Antioch, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Contra Costa County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 23rd DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 23rd DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute,



assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 23rd DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 23rd DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 23rd DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 23rd DAA and compliance with state laws and regulations, we identified four areas with reportable conditions that are considered weaknesses in the Fair's operations: accounting for fixed assets, deferred income, 119-day employees, and ATM reconciliations. We have provided four recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 23rd DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR FIXED ASSETS

An audit of the Fair's accounting for fixed assets identified that the Fair did not correctly account for all fixed asset transactions prior to closing its accounting records and preparing their annual statement of operations (STOP). Furthermore, the Fair did not properly capitalize and depreciate fixed assets as required by generally accepted accounting principles (GAAP) and the California Department of Food and Agriculture (CDFA) Fixed Asset Policy and Procedure Manual. Our office noted the Fair did not record six projects (Backflow Preventer, Paving Disabled Spaces, Flower Building, Racetrack Bathroom, Museum Fence, and Water Project) at their full cost. Based on the California Construction Authority (CCA) closed project reports, the Fair understated Account #192, Buildings and Improvement, and its overall net resources by \$53,799. Accordingly, the related Account #192.1, Accumulated Depreciation, was understated by \$12,783.

Recommendation

- 1. The Fair should make the necessary correcting journal entries to ensure that Account #192, Buildings and Improvements, is correctly stated at net in the general ledger. In the future, the Fair should improve its accounting and management of capital project costs by maintaining timely and accurate records of each project completed during the fiscal year. Furthermore, the Fair should reconcile its property ledger with CCA's closed project status reports prior to closing its accounting records and completing its year-ending financial reports.*

DEFERRED INCOME

The Fair did not reconcile and adjust Account #228, Deferred Income, prior to closing its accounting records and preparing the year-end STOP. Our office noted, according to CCA closeout project reconciliations, the 2005 Millennium Flex funds recorded in the deferred income account were used for three CCA projects (administration office, capital improvements, and general expenditures) in 2007. However, within the corresponding general ledger, Account #228, Deferred Income, was not reduced accordingly. As a result, a Fair liability (Deferred Income) was overstated by \$28,971 at year-end, while its corresponding net resources were understated by the same amount. This was a prior year finding.

Recommendation

- 2. The Fair should make the necessary adjusting journal entry to ensure Account #228, Deferred Income, is fairly stated within its general ledger. In addition, the Fair should annually reconcile the Deferred Income account to source documents prior to closing its accounting records and preparing the year-end STOP.*

119-DAY EMPLOYEES

Our office determined the Fair had at least four temporary employees who worked in excess of the 119-day limitation within a calendar year. According to the Division of Fairs and Exposition (F&E) Accounting Procedures Manual (APM), “by law temporary employees may not work more than 119 days in a calendar year.” The F&E APM further cites Article VII § 4(1) of the Constitution of the State of California as its basis for this policy. Our office noted these employees worked between 131 and 203 days in 2008. This was a prior audit finding.

Recommendation

3. *The Fair should comply with the F&E APM by ensuring temporary employees do not work in excess of the 119-day limitation.*

ATM RECONCILIATIONS

The Fair does not perform a reconciliation of the ATM transactions on a monthly basis. Moreover, the Fair does not reconcile any change fund to ensure change fund transactions are not erroneously coded to the wrong account. This caused the total change funds at year-end to have a credit balance, meaning the fair has negative funds in change. In addition, trial cassette close tapes and a transaction summary for each month end are not maintained. ATM transactions should be reconciled at least on a monthly basis. This is a prior year audit finding.

Recommendation

4. *The Fair should improve its controls over cash management by reconciling the ATM transactions on a monthly basis or as necessary. Furthermore, the Fair should reconcile general ledger accounts at year-end prior to closing the accounting records and preparing the annual STOP.*

NON-REPORTABLE CONDITIONS

JUNIOR LIVESTOCK AUCTION

The Fair did not reconcile Account #251, Auction Contingency Reserve, to the corresponding Account #117, Cash in Bank - JLA. As a result, these accounts did not agree in the year-end financial records. According to the APM §1, 2.37, “the balance in the auction account, adjusted for accounts receivable and accounts payable, must equal the net resources in the Auction Contingency Reserve.” This is a prior year audit finding.

In addition, the Fair did not reconcile the amount recorded in the JLA receivable account. Moreover, the Fair did not expense the slaughter fees of \$1,533 charged by the vendors to offset the amount accrued in the JLA receivable. The Fair only received \$6,453 for the resale fees of \$7,987 accrued in JLA receivable since the vendors reduced the amount paid by the slaughter fees.

Recommendations

The Fair should annually reconcile the JLA Accounts to ensure that Account #117, Cash in Bank - JLA, plus any JLA accounts receivable agrees to Account #251, Auction Contingency Reserve, plus any JLA liabilities.

The Fair should ensure they maintain all supporting documentation for its accounts receivable balances presented in year-ending financial statements. The purpose of this procedure is to demonstrate that the amount reported as accounts receivable will definitely be collected by the Fair at a certain point in the future.

BARTERED SERVICES

The Fair had individuals who provided recreational vehicle (RV) attendant services in exchange for rent-free lodging in the fairground’s RV Park. The Fair did not prepare or issue an Internal Revenue Service (IRS) Form 1099-B, Proceeds from Broker and Barter Exchange Transactions, to report the fair market value of the rent-free lodging as miscellaneous income. According to IRS Pub. 525, this form “shows the value of cash, property, services, credits, or scrip you (the recipient) received from exchanges during 2008” and must be prepared any time services are exchanged through a barter exchange.

Recommendation

The Fair should ensure it reports the value of providing an individual rent-free housing to the IRS on a Form 1099-B, Proceeds from Broker and Barter Exchange Transactions. Timely IRS reporting will preclude a possible penalty for late Form 1099-B filing.

COMPENSATED ABSENCE LIABILITY

The Fair did not adjust Account #245, Compensated Leave Liability, to reflect the accurate amount per the employee leave balances at year-end. As a result, Account #245 was overstated by \$2,989 as of December 31, 2008. This caused the Fair's net resources to be understated by the same amount.

In addition, the Fair allowed one permanent employee to exceed the maximum accrual of vacation/annual leave credits. The employee maintained annual leave balances at year-end totaling 664 hours. According to the employee's related bargaining unit, the maximum vacation/annual leave balance allowed to accumulate is 640 hours. This is a prior year audit finding

Recommendations

The Fair should review employee leave balances at year-end to ensure Account #245, Compensated Leave Liability, reflects the accurate liability amount. This account should be adjusted annually prior to the closing of the accounting period and preparation of the year-ending financial statements.

The Fair should ensure permanent employees do not maintain accrued hours in excess of the 640-hour limitation for annual leave. The Fair should encourage the employees with excess balances to take time off, thereby reducing their accumulated leave balances.

ACCOUNTING FOR FOOD AND BEVERAGE EXPENDITURES

The Fair made a good attempt, however, did not fully comply with the APM requirements over public relations and promotional expenses, specifically, discretionary expenditures for food and beverages. The APM requires specific and detailed information for all persons incurring such expenses. All claims must include the names of all recipients of the item or benefit, purpose of the expenditure, and justification for providing food or a meal specifying the topics discussed during the event and the necessity of or the benefits expected to accrue to the Fair by entertaining.

Our office noted that in a few instances, the Fair did not maintain a detailed copy of the credit card receipt that would have demonstrated the reasonableness of the purchase. Furthermore within the timeframes of the purchase, the Fair did not always identify the individuals that were provided the meals and specify the topics discussed during the event and the benefits expected to accrue to the Fair by entertaining. This information was provided to our office during our audit fieldwork.

Recommendation

At the time of the purchase/expenditure, the Fair should follow F&E internal policy by requiring that all claims for payment of promotional or public relations expenses include the names of all recipients of the item, specific business topics discussed during the event, and necessity of or the benefits expected to accrue to the Fair by entertaining.

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Antioch, California

Furthermore, a detailed receipt of all purchases should be retained to document the reasonableness of such expenditure.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



August 31, 2009

Ron Shackelford, Chief
Audit Office
Department of Food & Agriculture
1220 N Street, Room 344
Sacramento, CA 95814


Dear Mr. Shackelford,


Enclosed please find our responses to the 2008 audit

We would like to request our 2009 audit be in March next year, as it was this year. It was very helpful having an early audit. If this is not possible, we would like to request a June or July audit.

Thank you for your consideration.

Sincerely,


Lori Marshall
Fair Manager


Dianne Dunlap, President
Board of Directors

Audit Responses
Audit Period January 1 – December 31, 2008
Contra Costa County Fair

ACCOUNTING FOR FIXED ASSETS:

1. *The Fair should make the necessary correcting journal entries to ensure that Accounts #192, Buildings and Improvements, is correctly stated at net in the general ledger. In the future, The Fair should improve its accounting and management of capital project costs by maintaining timely and accurate records of each project completed during the fiscal year. Furthermore, the Fair should reconcile its' property ledger with CCA's closed project status reports prior to closing its accounting records and completing its year ending financial reports.*

Response: The Fair has met with CCA and CFSA regarding these projects and made correcting entries.

DEFERRED INCOME

2. *The Fair should make the necessary adjusting journal entry to ensure Account #228, deferred income, is fairly stated within its general ledger. In addition, the Fair should annually reconcile the deferred income account to source documents prior to closing its accounting records and preparing the year end STOP.*

Response: The Fair has met with CFSA regarding this account and has made the recommended adjusting journal entry.

119 DAY EMPLOYEES

3. *The Fair should comply with the F & E APM by ensuring temporary employees do not work in excess of the 119 day limitation*

Response: The Fair will control the number of days worked by temporary employees, to the best of its ability while continuing to be operational, to insure that employees do not exceed the 119 day limitation.

ATM RECONCILIATION

4. *The Fair should improve its control over cash management by reconciling the ATM transactions on a monthly basis or as necessary. Furthermore, the Fair should reconcile general ledger accounts at year end prior to closing the accounting records and preparing the annual STOP.*

Response: The Fair will work with CFSA to reconcile ATM transactions as necessary.

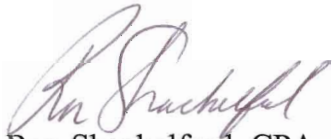
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 23rd DAA, Contra Costa County Fair, for its review and response. We have reviewed the response and it adequately addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between March 16, 2009 and March 27, 2009. My staff met with management on March 25, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

March 27, 2009

REPORT DISTRIBUTION

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1	President, 23rd DAA Board of Directors
1	Chief Executive Officer, 23rd DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office